Business Insolvency Worldwide

Economic Outlook no. 1207

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Insolvency World Cup 2014:

Who will score fewer insolvencies?

Economic Research

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May 28, 2014

EDITORIAL

Scoring against non-payment

LUDOVIC SUBRAN

You thought the World Cup would take place in Brazil this year, right? Well we decided otherwise. As flight tickets were too expensive to send the entire team to Brazil, we created our own World Cup with homemade FIFA spreadsheets. Goals are slightly different for our first Euler Hermes Insolvency World Cup, the objective is indeed to score fewer insolvencies!

The motto for the 2014 world championship is simple: insolvencies will go down by -8% worldwide in 2014. However, 2013 qualifications were tough: 42 countries competed (unfortunately insolvency numbers are not available everywhere) at a critical time for their companies - better macroeconomic prospects did not seem to translate automatically into top line growth.

From zombie companies in Western Europe, to struggling industrial giants in Latin America, to a volatile business environment in Eastern Europe and highly turbulent financing in Asia, fierce competition took place between nations. Four leagues emerged: the High Scorers, countries with a major fall in insolvencies in the past year (the U.S., the UK and Germany); the Tactics madmen (from Spain to the Netherlands) where tough adjustments could finally pay off after years of lost matches; #TeamEmergingMarkets (China, Brazil, Russia and Turkey) where transitions are far from smooth in the private sector; and the Go-with-the-flow league where the private sector team still lacks real coaching (France, Italy, Belgium and Eastern and Central Europe).

Now time for a short half-time commercial: "You are having nightmares about your receivables at risk? Just make sure you are insured. Fewer insolvencies does not mean non-payment risk has disappeared!" In 2014, the total number of insolvencies will indeed be +13% higher than before the Great Recession. The fear factor is still present.

Back to the game! For the quarter finals, Germany beat China (-6% in insolvencies in 2014 vs. +2%), the UK beat Italy (-7% vs. +3%), France beat Brazil (-1% vs. +9%) and Spain beat the U.S. (-23% vs. -10%). The semi-finals were no piece of cake: Spain (500,000 companies lost since 2009) beat France, which continues to have 60,000+ companies going bust per year. The UK managed to beat Germany. Both are experiencing record lows but the cost of insolvency in Germany is still very high (EUR1.1mn per company in 2013, well above pre-crisis levels). For the finals, Spain managed to beat the UK in extra time (-6% in insolvencies in 2015 vs. -5%). Goals were scored by both teams but the UK received a red card: the risk of a bubble is high (while Spain is finally seeing the light at the end of its own real estate bubble). Impressive growth prospects in the UK almost had them win but 2014 will mark a turning point for the private sector in Spain, which kept its eyes on the ball, at a high cost for their social and industrial fabrics. This certainly made them deserve the Cup!

OVERVIEW

Insolvency World Cup 2014: Who will score fewer insolvencies?

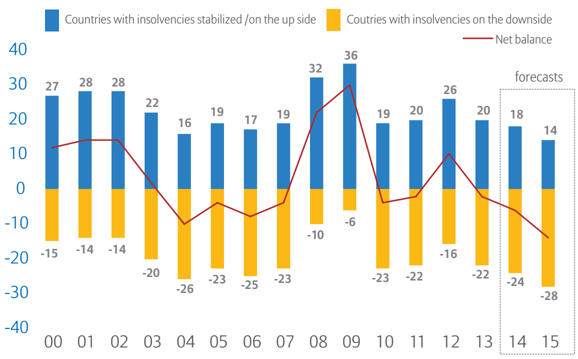
MAXIME LEMERLE

While the number of insolvencies worldwide is expected to fall by 8% in 2014, this number will still be 13% above pre-crisis levels.

■ In 2013, insolvencies decreased by -3% thanks to brighter prospects in the second half of the year.

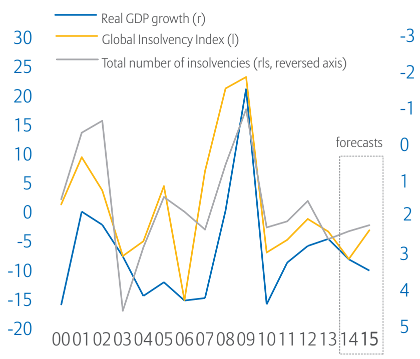
■ In 2014, we expect insolvencies to fall by -8%, a decrease which is expected

Yearly changes of insolvencies
In number of countries



Sources: national figures, Euler Hermes forecasts

Worldwide insolvencies and world GDP
Yearly changes in %



Sources: national figures, Euler Hermes forecasts to continue in 2015, but to a lesser extent (-3%). This good news does not mean that companies are fully back to their A-game in 2014: the number of companies going bust is still 13% above pre-crisis levels (2003-2007). While operating profits are faring better, turnovers are often flat pointing to fiercer price competition, and sluggish demand. Turbulence is still on.

■ Our analysis by country, industry and company size emphasizes how unevenly the industrial fabric is recovering, highlighting major pockets of risks.

Insolvency World Cup qualifying stages: A league format which started in 2013

In 2013, insolvencies posted a global decrease, thanks in part to a better second half, paired with better growth for the global economy (+2.3% in GDP, after +2.5% in 2012). The total number of insolvencies in our sample of 42 countries dropped by -5%, with roughly 353,000 bankruptcies over the course of the year. As a result, our Global Insolvency Index - which factors in the weights of each country - registered a drop of -3%. 2013 marked the fourth consecutive year of decreasing insolvency numbers (-22% accrued since 2009); however this barely offset half the upsurge between 2007 and 2009 (+50%). In addition, no country has actually been recovering in line with this overall picture, as global statistics mask the stark differences between private sector trajectories around the globe.

18 countries

to register an increase in insolvencies in 2014

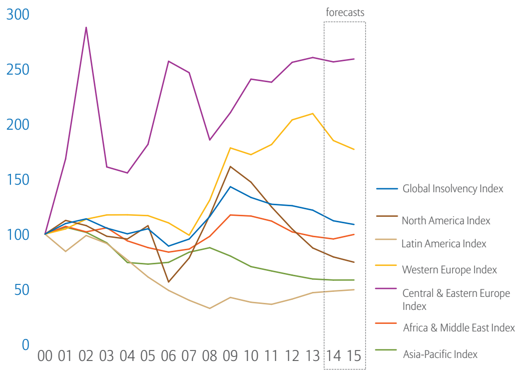
North America and Asia: The league of the (already) low insolvency levels

In 2013, North America posted a drop of -16% in the number of bankruptcies, its fourth consecutive year of a recovering private sector. In Asia, the number of insolvencies went down by -6%, the fifth year in a row of fewer insolvencies. Some countries clearly did not experience such a reassuring development: Australia, for instance experienced a 2% increase of insolvencies in 2013, due to a slowdown in growth (+2.4%, after +3.6% in 2012). This regional good news is partly due to the resilience of economic activity and trade, in spite of a confirmed slowdown in China. Another reason for this relative strength of the private sector is the continuous efforts to strengthen the business environment (lower cost of inputs, increased productivity and conducive economic policies) which have supported and accelerated their access to new outlets. From cheaper financing costs to increased competitiveness (due to supportive exchange rates) to being easier to work with, countries have invested in supporting their private sector growth. Company profits have resurged with highs in Japan, where a depreciation of the Yen has been a catalyst to increased export revenues, and they have reached new records in the U.S.

The European (champions) league: High and often record-breaking insolvency levels

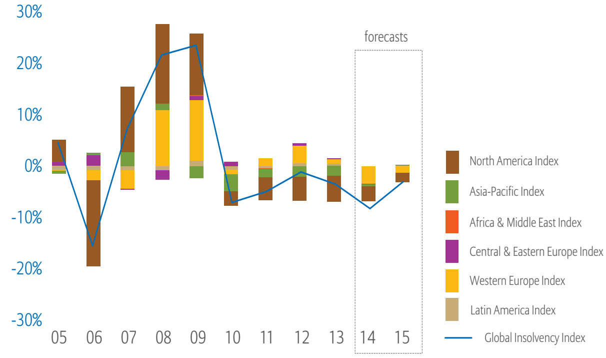
Three regions have experienced a growth in insolvency numbers: Latin America (+13% in 2013), Central and Eastern Europe (+2%) and Western Europe (+3%). In Latin America, firms have suffered from lower than expected economic growth, despite being positive (+2.6% in 2013), along with financial instabilities (interest and exchange rates). This is particularly the case for Brazil, where the surge in insolvencies is undeniable (+30% since 2012), including for SMEs. In Europe, insolvencies have hit new global highs, caused by the

Regional insolvency indices
Yearly levels, basis 100=2000



Sources: national figures, Euler Hermes forecasts

Contribution of regional indices to changes in the Global Insolvency Index



Sources: national figures, Euler Hermes forecasts

6
countries
out of 10 with more insolvencies in 2014 than registered in average during 2003-2007

amplitude of difficulties firms encounter after several years of a prolonged crisis; these include several historically high levels for several western European countries (Spain, Belgium and The Netherlands) and Central and Eastern European countries (Czech Republic, Romania and Turkey). Other nations remain dangerously close to their records: France, Portugal, Greece and Luxembourg. An exception to this hyper-insolvent situation is Hungary (-40%) where the fall is unfortunately due to a change in the methodology rather than a real improvement. Regional insolvency indices have nonetheless shown a deceleration in comparison to 2012 (when Central and Eastern Europe registered +8% and Western Europe +12%) and the number of countries registering a drop in bankruptcies already doubled (11 for 2013 with 16 highs). Several countries such as Germany (-8%) and the UK (-15%) showed strong performance in 2013, along with Ireland (-19%) and Portugal (-10%). However in almost 3 out of 4 countries in Europe, the number of insolvencies is still well above pre-crisis levels.

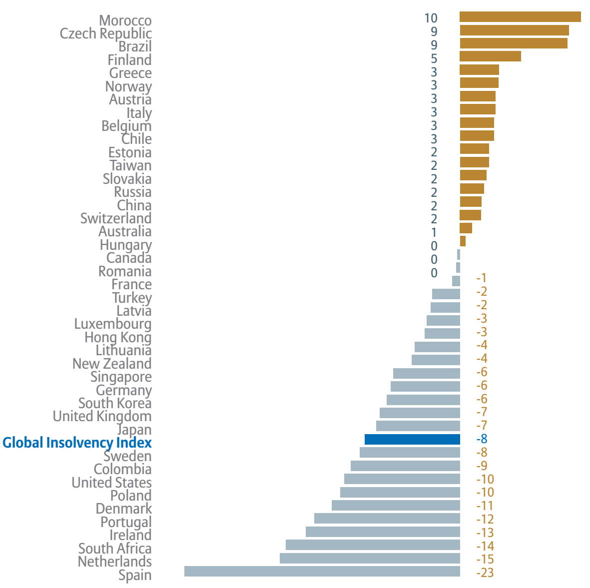
The Insolvency World Cup 2014 looks promising and is up for grabs

The macroeconomic and financial conditions for 2014-15 are supporting a further decrease in insolvencies worldwide, especially as growth in advanced economies should pick up (GDP growth expected at +2% in 2014) and emerging economies (+4.3%) will continue to prove their resilience after the post QE-frenzy. However, the global volume of insolvencies is not expected to return to its pre-crisis levels by 2015. The drop in bankruptcies will be more significant in 2014 (-8% according to our forecasts), taking into account the official and definitive numbers for 2013. However, the drop will be more limited in 2015 (-3%) due to a normalization post mechanical recovery, especially in Europe. Behind the downward trend in insolvencies, the challenge is to distinguish which teams (countries) will actually experience a sharp reduction in the risk of non-payment, while others will continue to suffer from zombie companies wandering around and potentially affecting suppliers, should they not make it to the next round.

Some teams (countries) have been scoring well but training will help keep their opponents on their toes

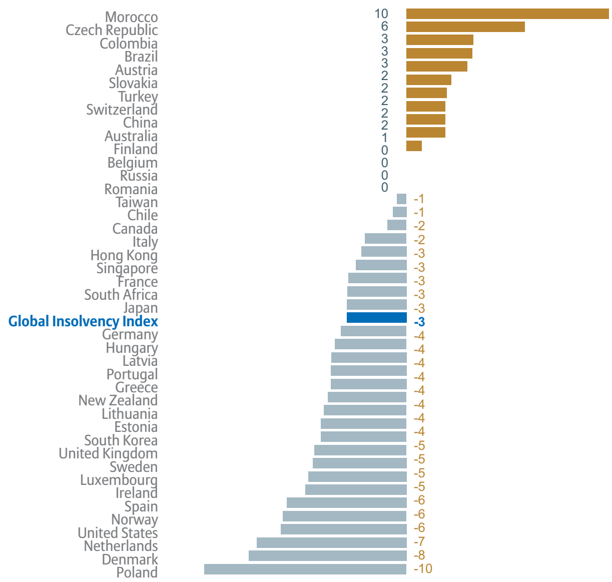
In these countries, insolvencies have already returned to low levels but will experience a more limited drop by 2015, potentially an increase depending on changing business conditions. Numerous determinants could explain why in these countries good is the enemy of great: (i) a gradual easing in cost-killing strategies; (ii) a slowdown, possibly a regression, of gains in productivity and competitiveness; (iii) a rise in working capital requirement (WCR) and days sales outstanding (DSOs) to absorb new demand; (iv) gradually less accommodating monetary policy posing threats to financing costs; and (v) fierce competition due to the arrival of new comers undercutting prices and market shares. The United States (-10% in 2014) and Canada (0%), the UK (-7%), Germany (-6%), Austria (+3% but from very low levels) and Switzerland (+2%), Japan (-7%) and other South East Asian countries are all part of this group. On top of rapidly changing backdrops to do business, heterogeneous sector-risk profiles

Insolvencies in 2014
Yearly change in %



Sources: national figures, Euler Hermes

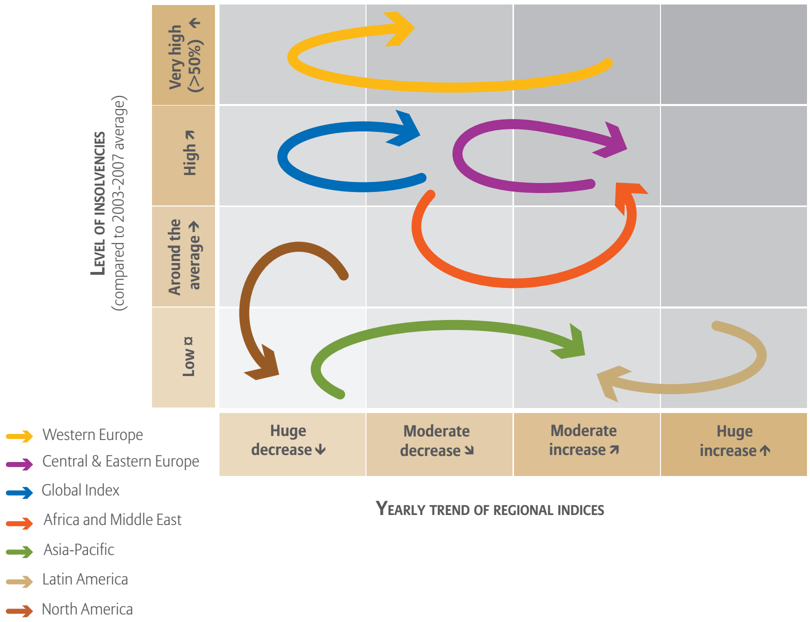
Insolvencies in 2015
Yearly change in %



Sources: national figures, Euler Hermes

Insolvency matrix

Expected changes by region between 2013 and 2015



Source: Euler Hermes

(including real estate and old manufacturing giants) could also contribute to higher-than-expected total insolvency numbers.

Some teams have changed tactics: This could pay off eventually

This is primarily the case for European countries whose private sectors suffered the most from austerity packages and the need for deleveraging. In these countries, adjustments were fast - and furious - as external pressures mounted to unprecedented levels. As a result, the return of competitiveness, along with investor confidence, has begun to pay off. Insolvencies in these countries have therefore started to decline and should continue to do so in 2014. This is the case for Ireland (-13% expected for 2014), Portugal (-12%), Spain (-23%), but also In Denmark (-11%) and the Netherlands (-15%). For all of them the potential gains of trade inside and outside Europe will determine the strength of this positive trend. Even though the decrease in insolvencies in these countries is welcome, the situation is not one to fully rejoice. The scarring effect from the past years is immense. In other words, there are still a significant number of industries in these economies where insolvencies will still come from companies weakened by a prolonged period of depressed domestic demand (Southern Europe) or higher sensitivity to the business cycle (Northern Europe).

#TeamEmergingMarkets: Some good players (companies) but no team spirit

Brazil (+9% insolvencies in 2014) embodies most of the issues emerging markets have to deal with when building up their industrial fabric: external instability headwinds and lower growth due to a changing business model. This has had a massive impact on firms (profitability and solvency) hampering the development of sound supply chains. Another example, although in another league, is China (+2%) still trying to make up for the several pps of growth lost because of its financing bottlenecks. In addition to these economic soft spots, companies in emerging markets have had to deal with old wounds: political risks. Russia (+2%) and to a lesser extent Turkey (-2%) are still at risk of insolvencies due to political turmoil. Last but not least, an important point on insolvencies in emerging markets is that business demographics is particularly buoyant - though part of this dynamic is barely captured by official statistics. As a consequence, the catch-up trend in these economies, when it comes to nominal GDP numbers, naturally pushes up the number of companies going bust: creative destruction.

A new coaching system needed for some

In some Western European countries, companies' balance sheets have been on a diet to make up for loss of clients. The recovery is, however, so slow (or so far) that the domestic market hardly offers new opportunities to grow their toplines. For a number of firms in these countries, the priority has thus shifted to protecting their bottom line, sometimes creating a perverse situation such as cash accumulation to face the unknown (discounts in order to liquidate stocks, postponing investments, deferral of payments and modifications in salaries). Company bankruptcies are therefore stuck at high levels as the impetus for reverse gear is absent. This is the case in France (only -1% in 2014 for insolvencies), Italy (+3%), Greece (+3%), Finland (+5%), Luxembourg (-3%) and Belgium (+3%), all of which will not recover without targeted and effective cyclical measures in addition to slated structural reforms. Due to a domino effect from the West, Eastern and Central European countries have to face similar challenges as insolvencies will only go down by -2% in 2014 (Poland leading the way with -10%), a small relief as limited domestic demand and strict credit conditions could actually weigh against this good news.

What happens when the match is over? Forecasts for 2015

We do expect further decreases in insolvencies in advanced economies in 2015 but still no sign of a return to normality, that is to say levels of turbulence pre-2009. So the absorption of the shock is still on going. In the emerging world, one should expect positive figures as non-payment will continue to be a feature of fast-growth mode. We expect the drop in insolvencies to: (i) progress gradually to reach levels of -6% in 2015 in North America; (ii) decelerate in Western Europe (from -12% in 2014 to -4% in 2015); and (iii) hit the pause button in the Asia Pacific region (0%, after -2% in 2014). Conversely, bankruptcies will continue to rise in developing countries in Latin America (+3% for both 2014 and 2015) and rebound in Central and Eastern Europe (+3% in 2015, after -2% in 2014).

FORECASTS
2014-15

Business Insolvency outlook

Global insolvency index

Change in 2013:
-3%

North America

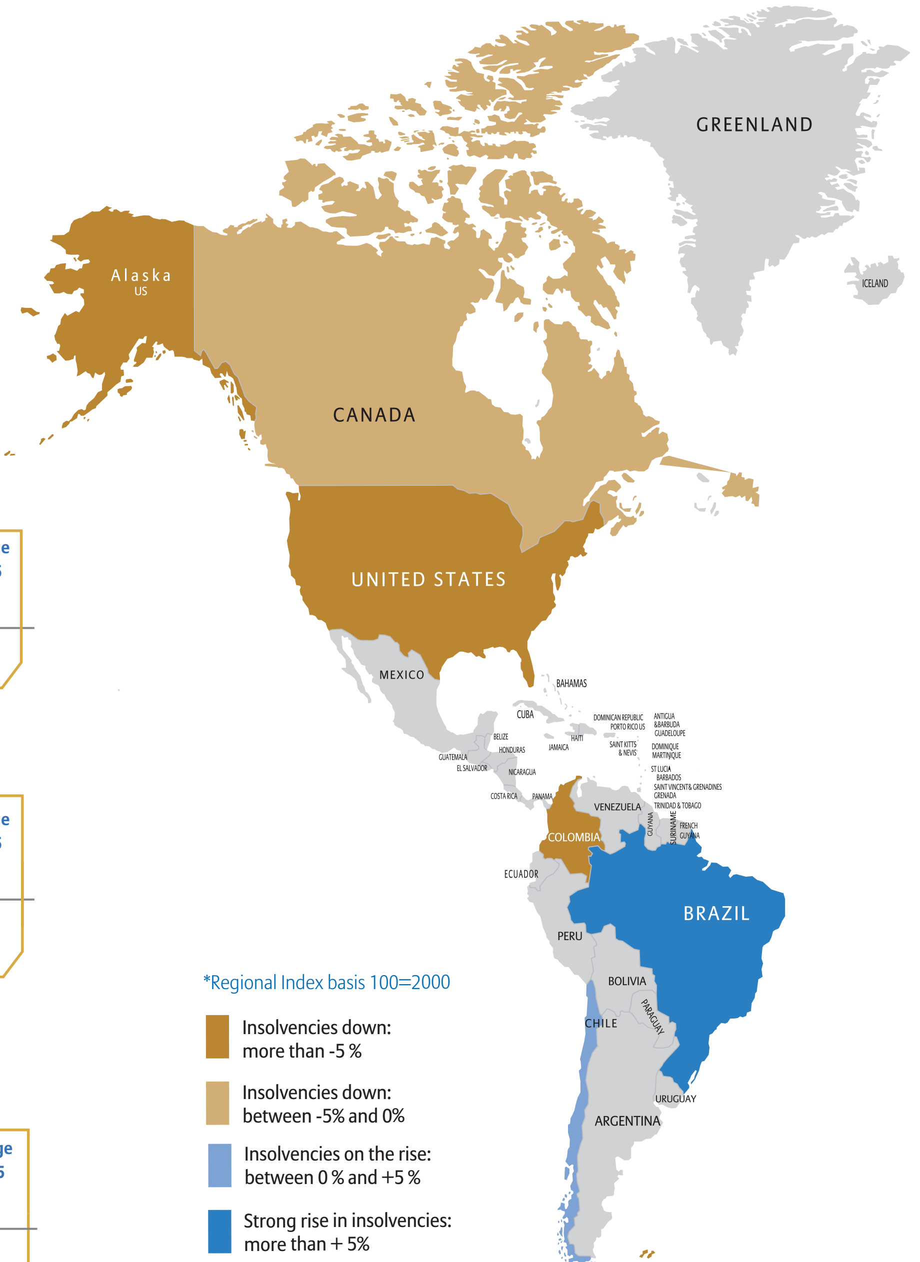
	% of world GDP	2013 Number	2013 Change	Change 2014	Change 2015
Regional Index*	**25.0**	**87**	**-16%**	**-9%**	**-6%**
United States	22.5	33,212	-17%	-10%	-6%
Canada	2.5	3,187	-2%	0%	-1%

Latin America

	% of world GDP	2013 Number	2013 Change	Change 2014	Change 2015
Regional Index*	**4.0**	**47**	**14%**	**3%**	**3%**
Brazil	3.1	1,680	12%	9%	3%
Colombia	0.5	330	14%	-9%	3%
Chile	0.4	143	11%	3%	-1%

Western Europe

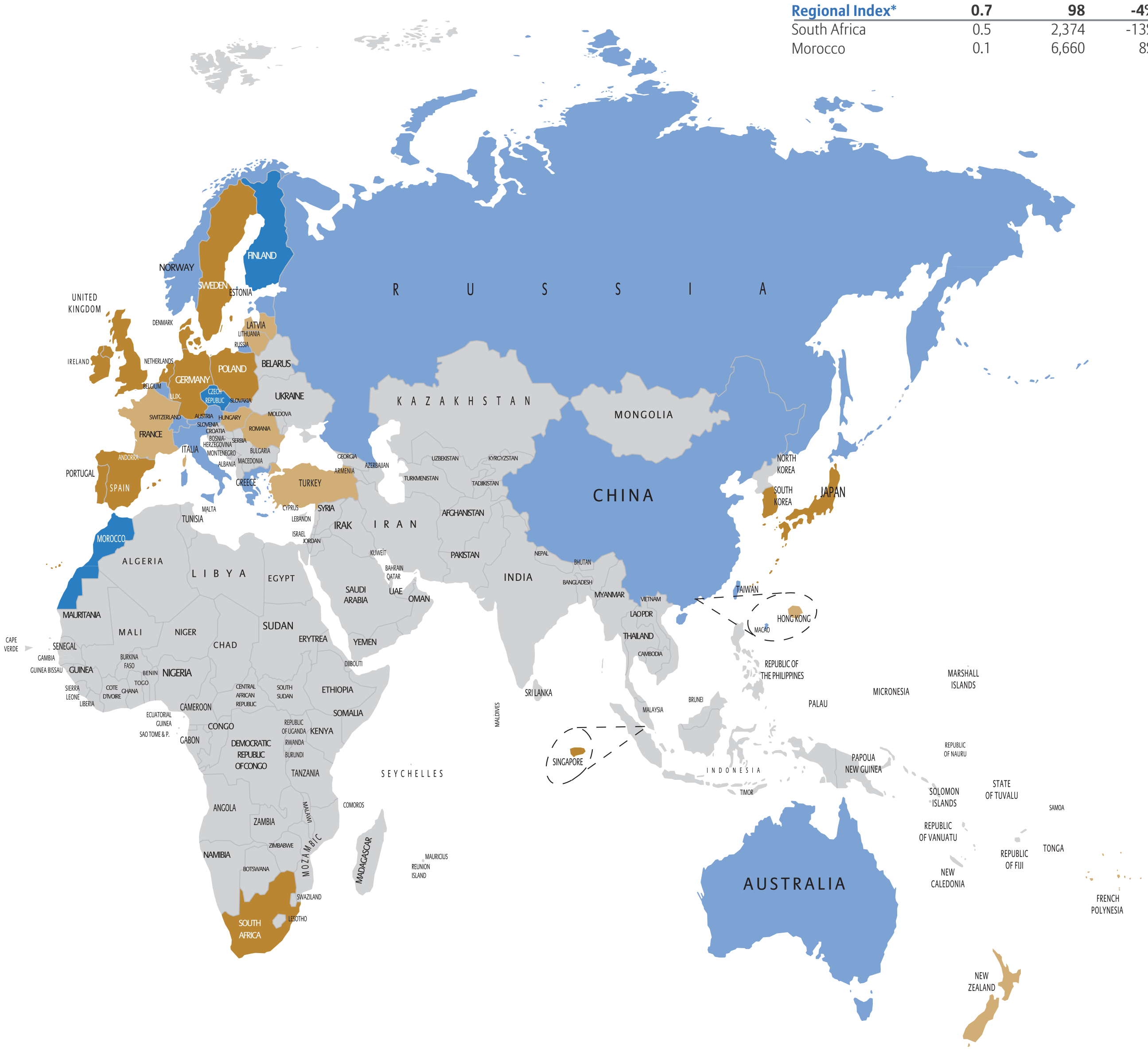
	% of world GDP	2013 Number	2013 Change	Change 2014	Change 2015
Regional Index*	**22.8**	**209**	**3%**	**-12%**	**-4%**
Germany	4.8	25,995	-8%	-6%	-3%
France	3.6	62,716	3%	-1%	-3%
United Kingdom	3.4	25,721	-15%	-7%	-5%
Italy	2.8	14,086	12%	3%	-2%
Spain	1.8	8,691	12%	-23%	-6%
Netherlands	1.1	9,456	10%	-15%	-7%
Switzerland	0.9	4,570	1%	2%	2%
Sweden	0.7	7,701	3%	-8%	-5%
Norway	0.7	4,564	20%	3%	-6%
Belgium	0.7	11,740	11%	3%	0%
Austria	0.5	5,459	-10%	3%	3%
Denmark	0.4	4,993	-8%	-11%	-8%
Finland	0.3	3,702	7%	5%	1%
Greece	0.3	1,540	10%	3%	-4%
Portugal	0.3	6,030	-10%	-12%	-4%
Ireland	0.3	1,365	-19%	-13%	-5%
Luxembourg	0.1	1,049	0%	-3%	-5%



Source: Euler Hermes

Change in 2014:
-8%

worldwide in 2014



Africa & Middle East

	% of world GDP	2013 Number	2013 Change	Change 2014	Change 2015
Regional Index*	**0.7**	**98**	**-4%**	**-2%**	**4%**
South Africa	0.5	2,374	-13%	-14%	-3%
Morocco	0.1	6,660	8%	10%	10%

Change in 2015: -3%

Central & Eastern Europe

	% of world GDP	2013 Number	2013 Change	Change 2014	Change 2015
Regional Index*	**5.6**	**260**	**2%**	**-2%**	**1%**
Russia	2.8	8,091	-22%	2%	0%
Turkey	1.1	17,400	8%	-2%	2%
Poland	0.7	926	-2%	-10%	-10%
Czech Republic	0.3	5,897	57%	9%	6%
Romania	0.2	29,997	1%	0%	0%
Hungary	0.2	13,420	-40%	0%	-4%
Slovakia	0.1	1,321	25%	2%	2%
Lithuania	0.1	1,517	8%	-4%	-4%
Latvia	0.0	820	-7%	-2%	-4%
Estonia	0.0	459	-7%	2%	-4%

Asia Pacific

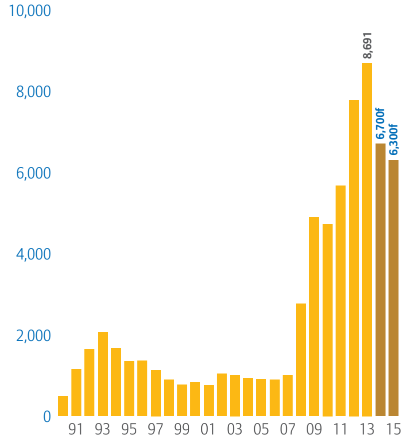
	% of world GDP	2013 Number	2013 Change	Change 2014	Change 2015
Regional Index*	**25.0**	**59**	**-6%**	**-2%**	**0%**
China	11.4	2,555	-4%	2%	2%
Japan	8.3	10,855	-10%	-7%	-3%
Australia	2.1	10,821	2%	1%	2%
South Korea	1.6	1,001	-18%	-6%	-4%
Taiwan	0.7	209	-18%	2%	0%
Singapore	0.4	126	-17%	-6%	-3%
Hong Kong	0.4	274	-12%	-3%	-2%
New Zealand	0.2	373	-14%	-4%	-4%

And the winner is…

-23%

the fall in insolvencies in 2014

Corporate insolvencies
Yearly figures



Sources: INE, Euler Hermes

YANN LACROIX, DANIELA ORDOÑEZ

Spain: A Pyrrhic victory

Economic activity is strengthening in Spain, but downward risks remain

Real GDP is expected to grow by +0.6% in 2014 and by +1.2% in 2015, which should be coupled with a decrease in firm insolvencies of -23% in 2014 and -6% in 2015. However, this drop in insolvencies appears to be more of a natural correction after the six consecutive years of strong increase, rather than an improvement in the overall health of firms. Indeed, the number of insolvencies is still very high, well above the pre-crisis figures: the level in 2015 would still be approximately six times that of 2007.

The outlook differs among sectors

On one hand, the structural reforms adopted over the last three years along with efforts made by firms and employees during the crisis (freezing wages, increasing work hours, decreasing employee benefits) has allowed export-based sectors to regain in competitiveness. Especially, production in the automotive industry has strongly resurged since the early-2013 (+13% y/y in April 2014), consequently benefitting both related outsourcing firms and capital goods sector. On the other hand, sectors dependent on domestic demand, such as retail or household equipment, are still under pressure, as illustrated by the bankruptcy of the iconic Fagor Brandt group at the end of 2013. Retail sales stand -30% below their pre-crisis peak reached at the end of 2007 as Spanish unemployment remains among the highest in the Eurozone, fiscal consolidation is far from completion and the deleveraging process of households is still underway. Last but not least, adjustments in the construction sector are far from finished. Residential building permits continue to drop (only 30 000 permits in 2013, against 60 000 in 2012 and over 750 000 in 2006). Construction firms account for about 30% of the total number of insolvencies.

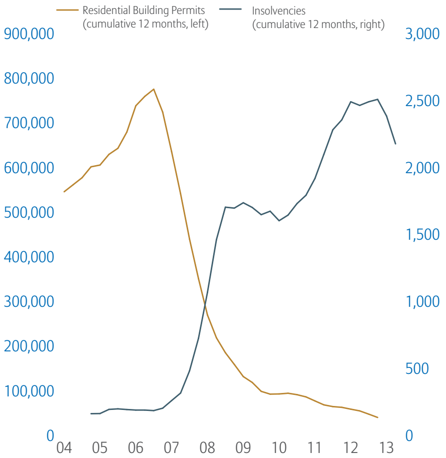
500,000 companies

disappeared in Spain since 2009

The financing conditions for corporations remain complicated.

Credit provided to corporates continues to contract and the interest rate on banking loans remains high, notably for small and medium sized firms. Therefore, while in Spain filing for bankruptcy is meant to help a company straighten out its accounts and allow it to recover, according the brokerage firm Axesor, 94% of bankruptcy filings results in the liquidation of assets. In total, close to half a million small firms (which make up the majority of the Spanish industrial sector) have disappeared since the beginning of the crisis.

Construction
Permits and insolvencies



Sources : Banco de España, INE, Euler Hermes

The finalist

-7%

the fall in insolvencies in 2014

New dwelling price per unit

GBP

Source: Communities and Local Government

ANA BOATA, DIDIER MOIZO

United Kingdom: Fair Play

-14%

the decrease of the average amount of operating profit per company since 2010

- The ongoing improvement of the economic environment in the United Kingdom allowed for a significant (and broad-based by sector) fall in the number of business insolvencies in 2013.
- This positive momentum should continue up to 2015, driven both by internal and external demand, and by supportive economic policies.
- However, the economic recovery advocates for a less accommodative monetary stance, and a first step in this direction is expected in H1 2015.
- The business demographics continues to grow twice as fast as the corporate operating profits, while insolvency rates have already reached a low point. Insolvencies may continue to decrease until 2015, but certainly at a slower pace.

United Kingdom corporates benefit from a very strong business environment

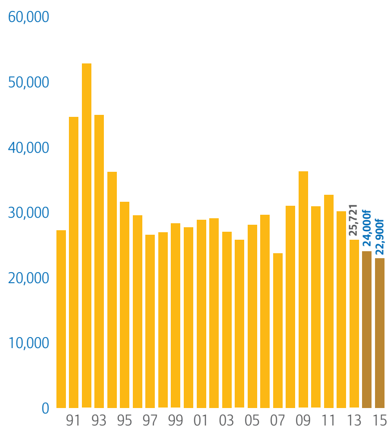
Supporting factors proved to be numerous and increasingly active: (i) fiscal burden is less restraining compared to the other European countries, (ii) the BoE credit policy implemented in mid-2012 (Funding for Lending Scheme) worked well and (iii) business confidence is strong on the back of positive upcoming fiscal measures of which the most significant are corporate rate tax cuts in 2014 and 2015 (to the lowest level within the G20 group of countries), measures to target bank lending to SMEs and exporting firms, an increase in infrastructure spending and the new shale gas field allowance. In this context, GDP pleasantly surprised, by growing at its fastest pace since 2007 (+1.7% in 2013 after +0.3% in 2012), mainly driven by strong domestic demand.

More and more guests around the table

The total number of business insolvencies has indeed declined significantly in 2013 (-15%, for the second consecutive year), and even fell back just under the pre-crisis level (27,000 cases for the yearly average between 1997 and 2007). Further, the economic recovery spread well across sectors, even if divergence still prevails. The overall trend is mainly driven by the services sector (-19% from 2011 to 2013), which has also suffered the most since the crisis and still represents 3/4 of total business insolvencies, with a large contribution in the list of major failures. Measures to support the construction sector have allowed for a stronger fall in business insolvencies (-32% since 2011), but the continued rise in property prices over the past 5 years could limit this positive trend (the authorities could diminish its support by arousing fears of a housing bubble). In contrast, the industry has shown little improvement since 2011 (-12%), and registered the biggest 2013 British bankruptcy in terms of turnover (Balli Group Plc). The pace of reduction in business insolvencies is expected to moderate in 2014 (-7%) and 2015 (-5%). Not really because of the economic recovery (+2.5% and +2.6% in 2014 and 2015 respectively), but rather because (i) the number of companies is growing much faster (+20% since 2010 i.e. 480,000 companies) than the benefits of companies (+9% for the corporate operating profits since 2010) and (ii) the monetary policy is likely to be less accommodative given the strength of the economic recovery notably starting in H1 2015 with a possible earlier than expected change in the monetary stance.

Corporate Insolvencies

Yearly figures



Sources: DTI, Euler Hermes

Semi-finalist

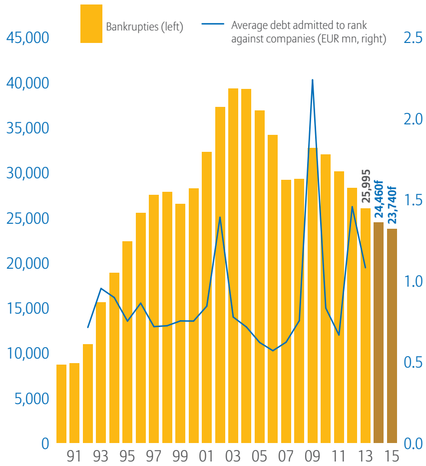
CLÉMENTINE CAZALETS, BRUNO GOUTARD

Germany: Offense is the best defense

-6%

the fall in insolvencies in 2014

Corporate insolvencies
Yearly figures



Sources: Destatis, Euler Hermes

EUR 1.1 mn

the average amount of unpaid receivables per bankrupt company in 2013

- **German firms withstood the economic slowdown quite well, as corporate insolvencies dropped by -8% in 2013 while GDP growth moderated to +0.5%.**
- **In 2014, business activity is expected to gain momentum, along with a GDP (+1.7%) still driven by consumption and boosted by a rebound in investment which should allow insolvencies to continue on a global downward trend (-6%).**
- **However, while business demography continues to grow, sectors show uneven levels of risk, and average losses remain high.**

Improvement for domestic market-oriented sectors

The largest contributors to insolvencies, construction (19% of the total along with real estate) and commerce (18%), have both posted contractions (-8% from 2012) in line with overall downward path. The moderate but steady construction market growth as well as stronger consumer spending have fuelled the decreasing course of the insolvencies in these sectors and are likely to continue to drive such a trend in 2014. Nevertheless, albeit quite limited, the growing number of insolvencies in energy sector (+13% in 2013) has illustrated the deteriorating conditions in the power-generation market in Germany (lower prices and demand, costly operations associated with renewable energies).

Dilemma for German exporters: profitability or market shares?

The manufacturing sector has lagged behind the overall improvement as highlighted by the upward insolvencies (+1% from 2012 and +3% compare to 2008). The German industrial players, quite dependent on exports, saw a contraction in export price in 2013 (-0.5% for goods and services - the last negative trend of this indicator dates back to 2009), pointing to two simultaneous downward pressures: the low inflation - or even deflation - in the main outlet for German exports, ie the European Union (-0.5% for export prices to European countries) and mounting competition outside Europe due to Japanese companies building on the Japanese monetary policy loosening (Japanese export prices based on Euro decreased by -13% in 2013!) and American players taking advantage of lower energy and labor costs. This erosion of the topline of manufacturing companies coupled with the continuing appreciation of labor costs registered in Germany over the past years (+3.3% in 2013, +2.3% in France, +1.4% in Spain) has squeezed margins and should still weigh on financial performances in 2014.

2013 insolvencies by sector

	Comparison to 2008 level (in %)	In number
Energy	197%	116
Utilities	21%	99
Education	9%	280
Finance	8%	831
Manufacturing	3%	2,266
Health and social work	3%	574
Professionnal services	2%	2,892
Administrative services	0%	2,225
Transport	0%	1,988
Leisure	-2%	562
Mining and quarrying	-7%	13
Personnal services	-11%	953
Communication	-12%	739
Real estate	-19%	849
Hotels and restaurants	-20%	2,538
Commerce (car manufacturing included)	-22%	4,804
Construction	-22%	4,131
Agriculture/forestry/fishing	-24%	135

Sources: Destatis, Euler Hermes

Semi-finalist

-1%

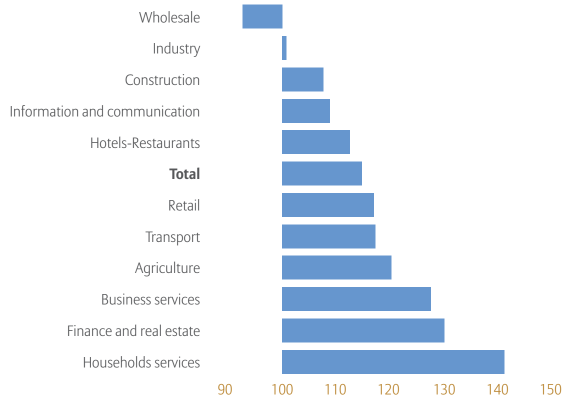
the fall in insolvencies in 2014

SARAH BOSSE-PLATIÈRE, FRÉDÉRIC ANDRES

France: Corner kick

2013 insolvencies by sector

Basis 100=2008



Source: Euler Hermes

In 2013, business insolvencies remained at their 2009 peak level (62,700 insolvencies; +3% y/y)

French economy is expected to grow by +0.7% in 2014, which is slightly higher than in 2013 (+0.4%) but probably not enough to create jobs quickly or genuinely lower insolvencies. Profit margins stand at multi-year lows (28.1% on average in 2013) while public investment will decrease in 2014, as will residential investment by households. Meanwhile, latest business surveys draw a more positive picture for corporate investment which should pick up, from a low base, and for exports which should give some encouraging developments. The decrease in the number of insolvencies is expected to be only moderate both for 2014 (-1% y/y) and for 2015 (-3% y/y), the latter standing far above pre-crisis level (about 60,000 insolvencies against below 50,000 before 2008).

EUR 4.9 bn

the total amount of unpaid receivables in 2013

A broad-based surge in insolvencies, but construction, services and retail are the most vulnerable sectors

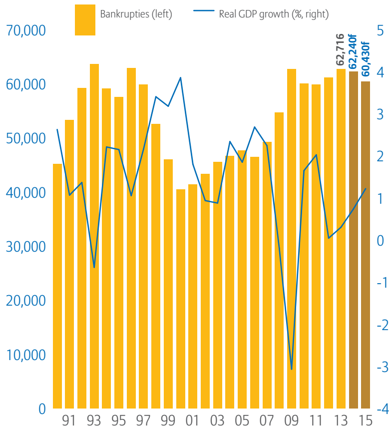
Sectors highly dependent on domestic demand, such as construction (about one fourth of total insolvencies in 2013), services or retail are under pressure, what should not improve in the coming months, given that (i) austerity will continue to bite in households' purchasing power and (ii) the one-off positive impact of disinflation will wane. Despite falling market shares, the French export sector should benefit from a more benign macroeconomic environment in Europe: indeed, roughly 60% of French exports go towards Europe.

Announced reforms should have no impact in 2014 and a limited one in 2015

The recent Responsibility Pact aim is twofold: (i) lower unemployment and (ii) bolster firm's competitiveness, in particular in the industrial sector. The government plans to lower corporate taxes, first by removing the 'C3S' (~5-6bn EUR) over the next 3 years and then by lowering the main corporate tax rate from 33.3% to 28%, starting in 2017. Even though this is definitely a step in the right direction, it looks quantitatively insufficient to boost competitiveness, all the more so that the timing seems a bit slow, e.g., first cut in the main tax rate is planned for 2017 and the reduction in the C3S will be limited to 1bn EUR in 2015. Nevertheless, activity will pick-up in 2015 (to +1.2%) should further well-targeted reforms be successfully implemented.

Corporate Insolvencies

Yearly figures



Source: Euler Hermes

Quarter finalist

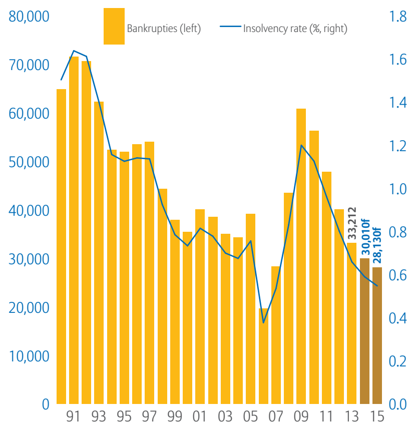
-10%

the fall in insolvencies in 2014

CLÉMENTINE CAZALETS, MARC LIVINEC

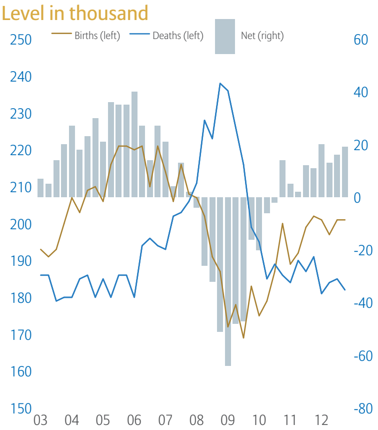
United States: A series of free kicks

Corporate insolvencies
Yearly figures



Sources: Administrative Office of US Courts, US Census, Euler Hermes

Establishment demographics
Level in thousand



Sources: BLS, Euler Hermes

USD 1,900 bn

total corporate profits after tax, in 2013

- **The severe winter experienced in the US has not impacted the pace of the decrease of corporate insolvencies in the US.**
- **In 2013, bankruptcies posted a two-figure contraction rate for the third consecutive year, and this trend is likely to continue in 2014 though at a less sustained pace.**
- **This underlines the revived business activity in the US, propped up by resilient economic growth and still accommodative monetary policy.**

Fall in insolvencies for the fourth consecutive year

Rising investments (+4.5%) and better terms of trade (exports at +2.7% and imports at +1.4%) allowed US GDP growth to reach +1.9% in 2013, despite modest private consumption. The resilience of economic activity redounded to corporate insolvencies, which dropped by -17% in 2013, which is slightly more than initially expected. Yet, the severe winter heavily weighted on the US economy: we revised down our GDP forecast for 2014 to +2.3%, given the weak economic performance in Q1. This has not impacted the decreasing trend of insolvencies, which went down by -17% y/y in Q1. Indeed, even if GDP growth remains moderate, rising productivity of US firms added to high profitability augur for a continued decline in bankruptcies. Therefore, we expect corporate insolvencies to fall by -10% in 2014 and by -6% in 2015.

Insolvencies expected on a downside trend, but at a slower pace

The volume of insolvencies getting close to historical low, the pace of decline in bankruptcies is likely to weaken. Several factors may contribute to this slowdown: (i) a housing market undermined by rising mortgage rate as well as rising housing prices due to thigh inventories; (ii) the consequence of Fed tapering; (iii) the rising trend, observed since Q3-2013, in lateness of payments between businesses; (iv) the reversed trend in business demographics (net number of firms has been growing since 2011) suggesting a larger statistical base for insolvencies in the mid-term; (v) and finally, the risk of a coming increase in natural gas prices.

Cheap energy: all good things come to an end

The booming natural gas market, thanks to shale gas extraction, substantially dragged down natural gas prices, to the point of cutting producer margins. To reestablish their profitability, they needed to increase their natural gas exports towards Asia and/or Europe, where prices are markedly higher. It is now possible since Obama's administration granted them the right to do so. As soon as US gas is massively exported, the domestic prices should go up to approach global prices. As a consequence, if US firms do not anticipate the rise in their energy bill, corporate insolvencies could become newsworthy again.

Quarter finalist

SARAH BOSSE-PLATIÈRE, MAHAMOUD ISLAM, MARC LIVINEC

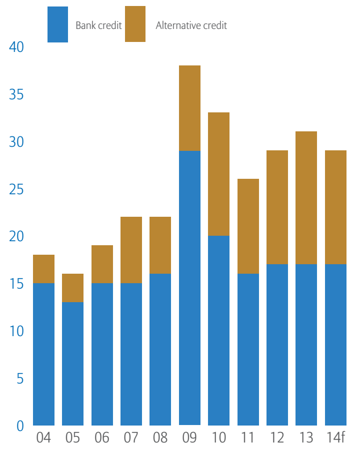
+2%

the rebound in insolvencies in 2014

China: Stuck in the midfield

Total credit financing flow

% of GDP



Sources: IHS Global Insight, Euler Hermes

- **After five successive years of insolvencies falling number (-3.6% in 2013) in China, the trend is likely to suffer from a relevant reversal over 2014.**
- **The ongoing slowdown of the Chinese GDP growth rate may bring on the spark. It should be fuelled by a deceleration in credit and supply overcapacities.**
- **Our less optimistic view is reflected in the EH forecast of a +2% growth rate of bankruptcies for the entire ongoing year.**

Bankruptcies and Chinese GDP slowdown go along.

Chinese GDP growth stabilized at +7.7% in 2013 but prospects for 2014 seem lower: during Q1 2014, GDP raised +7.4% y/y and EH expects a little deceleration of GDP growth at +7.5% for the ongoing year. China may rely on fine macroeconomic fundamentals but liquidity tensions and the importance of non-formal lending in the economy is a rising concern for its economy. The alternative credit flows (proxy of shadow banking) hiked from 12% in 2012 to 14 % of GDP in 2013 and lowering the growth and risks linked to shadow banking became one of the government main goal. Nonetheless, as one reason explaining the surge in shadow banking is the slowdown in formal liquidity, this could be detrimental to many Chinese companies that may face growing difficulties in funding their operations. Moreover, the authorities want to limit moral hazards and liquidity injections are becoming more selective, targeted to institutions with high systemic and reputational impact.

594

official insolvencies in Q1 2014

A stalling process to the downward trend of insolvencies.

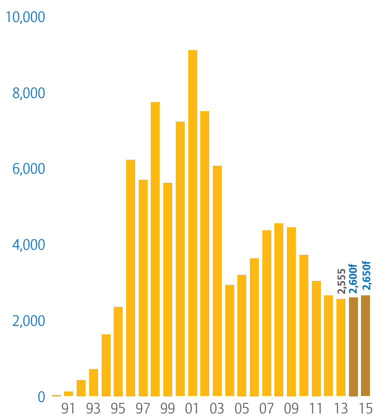
This new macroeconomic situation is likely to weaken the Chinese business bases whereas the number of insolvencies in China was stable over 2012 and 2013 (about 2600 insolvencies a year according to available statistics). Actual numbers then should be much higher than statistics suggest, as companies rarely make efforts to go through insolvency proceedings and simply tend to disappear. EH forecasts a +2% rise in the number of insolvencies for 2014.

Troublesome situation in a few Chinese sectors might fuel the poor trend.

Although it began with a growth slowdown, the reversal trend of Chinese insolvencies might be compounded by sectorial problematic inside the country. Particularly out of its construction sector in which overinvestment in building properties may have brought on sales at a loss and burst bubble risk. Energy sector has been hit too by payment delays as less favourable financing conditions have been dampening the Chinese tissue bases. Instead of bank financing, highly energy-consuming companies in China resort to longer terms of payment to have their working capital requirement covered, especially from energy manufacturers as they usually belong to the public sphere. Only this time behemoths dealing with energy supply start suffering from lower client-credit worthiness. That the house of cards might come closer to tumbling down is difficult to be thought of as an eventuality for the Chinese government nowadays.

Corporate Insolvencies

Yearly figures



Sources: China Court, Sinotrust, NBS, Euler Hermes

Quarter finalist

+3%

the rebound in insolvencies in 2014

ANA BOATA, DIDIER MOIZO

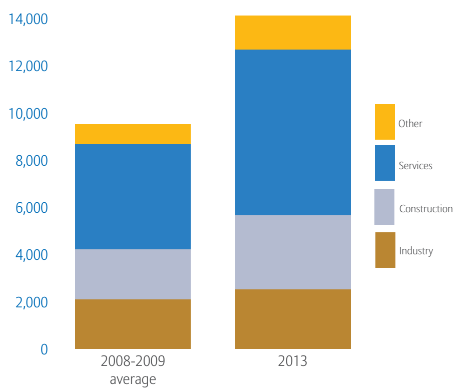
Italy: No Renzi effect for the *Squadra Azzura*

More than 14,000

corporate insolvencies from 2013 to 2015

Corporate insolvencies by sector

Yearly figures



Sources: Istat, Cerved, Euler Hermes

- **The weak economic environment and the ongoing credit crunch remain a drag on Italian firms and trigger significant delays in their payments.**
- **Business insolvencies prevail on the rise for the 6th consecutive year, and increases are broadly based across sectors and regions.**
- **The economic recovery is slowly emerging, but positive impact from the recent measures announced by the Renzi government and the engaged structural reforms are still to be seen.**

Business insolvencies continued to increase in 2013 (+12%) for the 6th consecutive year, reaching record high levels (14,086, more than double the 2007 levels).

Increases have been broad based across sectors with services experiencing the most important rise (+15% in 2013), representing more than 50% of total insolvencies. The industrial and construction sectors have also been on a negative trend since start-2008. Production index in the latter has lost 44 % of its value since then. Business insolvencies increases have been broad based across regions as well, that registered higher growth rates compared to 2012, with North-East and Centre the most affected.

The banking sector is facing strong increases in non-performing loans (20% of total loans in 2013) penalizing financing of the economy.

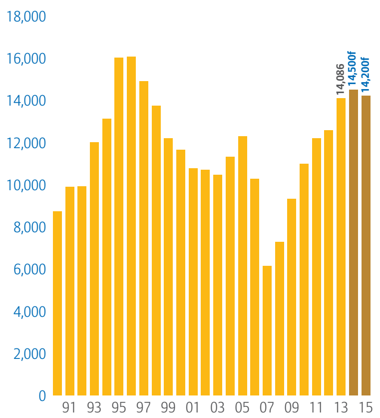
Indeed, credit to non-financial corporations has contracted continuously since mid-2012. On top of that, the erosion of competitiveness since 1999 on the back of the appreciation of the euro, continuous wage increases and a very high fiscal burden have put pressure on firms' profitability with margins at a record low level (39% of value added at end-2013). Over the past years, businesses have increasingly used payment delays to limit the damage caused by the credit crunch with average Days Sales Outstanding (DSO) at 100 days in 2013 (compared with a regulatory threshold of 60 days at the European level and 30 days at the national level) but this has not been enough to prevent additional failures.

First 'Renzi effects' still need to be completed by tough reforms.

After Italy's delayed start in implementing structural reforms compared to its peers, Matteo Renzi, new Prime Minister since February 2014, unveiled a package of tax cuts and other measures that are likely to support the economy in the short-term. Although further reforms are needed to support credit, ease fiscal pressure on companies, reduce energy and transportation costs, implement the Jobs Act and finalize the constitutional reform, these first measures are likely to give a moderate boost to the economy in the short-term, notably through a rise in business confidence and a return of foreign investors. GDP growth is expected to reach +0.4% in 2014 and +0.9% in 2015 with upside risks. That being said, the economic environment remains weak and real GDP is still 9% below the pre-crisis peak. Thus, business insolvencies are expected to continue to rise in 2014 (+3%) before slightly moderating in 2015 (-2%).

Corporate Insolvencies

Yearly figures



Sources: Istat, Cerved, Euler Hermes

Quarter finalist

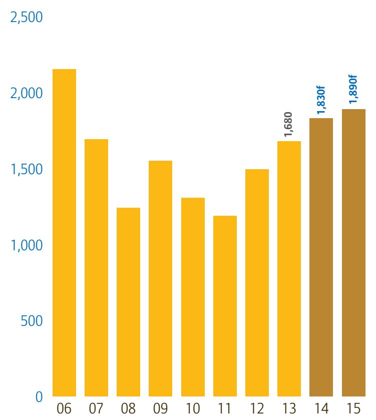
YANN LACROIX, DANIELA ORDOÑEZ

Brazil: Failing to score, even at home

+9%

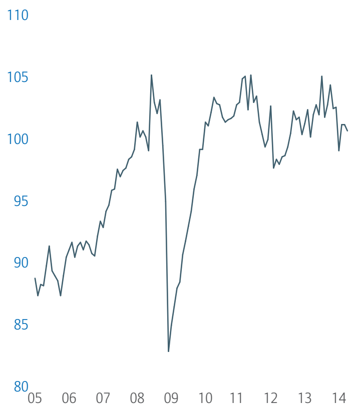
the rebound in insolvencies in 2014

Corporate Insolvencies
Yearly figures



Sources : Serasa Experian, Euler Hermes

Industrial production
Index 100=2008



Sources : IBGE, Euler Hermes

In line with the slowdown of economic activity, corporate insolvencies should continue to grow in Brazil

Prospects generated by mega events (the Confederations Cup in 2013, the Soccer World Cup in 2014 and the Olympics in 2016) resulted in an increase in the number of new businesses but did not - and will not- boost growth. Real GDP is expected to rise by +2.0 % in 2014 and by +2.5 % in 2015, a very moderate pace compared to an annual average growth rate of around +5% between 2003 and 2008. Bottlenecks, lack of competitiveness, tightening of monetary policy and exchange rate volatility will all together contribute to increase the number of corporate insolvencies (+9% in 2014 and +3% in 2015), thus completing 4 consecutive years of increase.

Firms will continue to suffer from the weakening of domestic demand as inflationary pressures are expected to persist

(increase in consumer prices of about 6 % in 2014), but also from the tightening of monetary policy. The central bank has raised the key interest rate (SELIC) by 375bps over the last 12 months, to 11% in April, which will stifle growth. Consequently, the bank interest rates have also risen, reaching on average 30% in April for household loans. In addition, the demonstrations that have been taking place since last June weigh against consumer confidence. As long as this persists, the sectors relying on domestic demand will continue to be under pressure. This is particularly evident in the automotive sector as car sales have been dropping since late-2013 (-9.6% y/y in April). Furthermore, despite the ongoing investments in infrastructure, Brazilian investment rate remains low (around 20% of GDP), which limits the potential of national supply. The weakness in the manufacturing sector is apparent, namely from no growth in the production of steel for close to 18 months.

The vulnerability of firms to external shocks will remain high

Especially, the volatility of the exchange rate will continue to be an important risk in 2014 and 2015 for firms operating on an international scale. Also, the developments in commodity prices and in the Chinese economy will have a significant impact on Brazil's export performance, as China has become the first trade partner of Brazil. Lastly, the slowdown of Brazil's neighbors, such as Argentina, remains a drag on regional trade and consequently on Brazilian exports.

More than 160

insolvencies of *Grande Empresas* in 2013

ANNEX

Major insolvencies worldwide in 2013*

SOURCE: EULER HERMES

Date	Country	Company	Last known turnover *(in millions of euro)*	Activity
DECEMBER	UK	Cornhill	744	Service activities
	Ireland	First Venture Fund	571	Finance
	Spain	Fagor Electrodomésticos	439	Household Equipment
	Germany	getgoods.de Vertriebs	275	Wholesale and retail trade
	Sweden	Sollentunas Byggentreprenörer AB	240	Construction
	Germany	Donauer Solartechnik Vertriebs GmbH	220	Manufacturing
	Germany	Mage Solar	220	Manufacturing
	Slovakia	Rogier	189	Wholesale computers
	Netherlands	Aluminium Delfzijl	179	Metal
	France	Actissia Retail	173	Retailing
NOVEMBER	France	Mory Ducros	765	Logistic & road transport
	UK	Rambo	736	Services
	France	Fagor Brandt	648	Household Equipment
	Brazil	Hermes S/A	467	Retailing
	Italy	SPEIA	408	Commodities
	Germany	IVG Immobilien	307	Real estate activities
	South Africa	First Strut	300	Commodities
	Brazil	Mangels Industrial	216	Automotive
	Poland	Fagormastercook	215	Manufacture of electric domestic appliances
	Brazil	OSX	145	Oil & Gas
	Romania	Regia Autonoma Pentru Activitati Nucleare	142	Chemicals
OCTOBER	Korea (South)	Tongyang Inc	1 221	Building of complete constructions or parts thereof; civil engineering
	Spain	Fagor	1 167	Manuf. of domestic appliances
	France	FagorBrandt	648	Manufacturing
	Poland	Mix Electronics sa	290	Wholesaling of household goods
	Ireland	Latzur T/A A Wear	40	Retailing trade of new goods in specialized stores
	Denmark	Eurotrucking A/S	12	Transport, storage and communications
	Denmark	Oht A/S	7	Trade
SEPTEMBER	USA	Furniture Brands International, Inc.	812	Manuf. of furniture
	Netherlands	OAD	620	Trade
	France	Groupe Partouche	451	Casino
	Portugal	GCT on line SA	310	Wholesaling and retailing trade
	France	Europeenne Food	246	Wholesale (food)
	Poland	Ideon sa	214	Electricity, gas, steam and hot water supply
	Poland	Fota sa	107	Wholesaling of machinery, equipment and supplies
	Sweden	Enverigo AB	87	Wholesaling of household goods
	Romania	Alpine sa	53	Building of complete constructions or parts thereof; civil engineering
	Portugal	Proval SA	46	Manufacturing
	Sweden	Congrex (Sweden) AB	39	Service activities
	Slovakia	Begokon p.v.o.d.	31	Industry
	Sweden	Teriberka Fishery AB	28	Retailing sale of food, beverages and tobacco
	Brazil	Araujo Maia Comércio de Equipamentos Eletronicos Ltda	14	Retailing trade of new goods in specialized stores
AUGUST	Belgium	O'Cool	89	Wholesale
	Sweden	Arkivator AB	77	Manuf. of parts and accessories for motor vehicles and their engines
	Portugal	J. Araujo & Peixoto LDA	51	Real estate, renting and business activities
	Belgium	Frost Invest	49	Food
	Romania	Galli Gallo srl	34	Agriculture, hunting and forestry
	Belgium	Metal Parts Belgium	31	Manuf. of basic metals
	Sweden	Rexinus AB	29	Retailing trade of new goods in specialized stores
	Slovakia	Etop - Trading a.s.	20	Industry
	Hungary	PLUSZ TRANZIT-HÚSKER	17	Wholesaling of agricultural raw materials, live animals, food, beverages, tobacco
	Denmark	P/F Landingarmidstød Føroya	14	Manufacturing
	Slovakia	Pongratzs.r.o.	13	Industry
JULY	USA	Cengage Learning, Inc.	1 509	Publishing, printing and reProd. of recorded media
	Germany	Baumarkt Praktiker Deutschland GmbH	1 217	Wholesaling and retailing trade
	Italy	Seat Pagine Gialle spa	749	Publishing, printing and reProd. of recorded media
	Germany	Baumarkt Max Bahr GmbH & Co. KG	611	Wholesaling and retailing trade
	UK	Juniper (N°) Ltd	578	Mining and quarrying
	Germany	Alpine Bau Deutschland AG	449	Construction
	Austria	TAP dayli Vertriebs GmbH	370	Non-specialized retailing trade in stores
	Germany	Gehrlicher Solar AG	323	Manufacturing
	Italy	Vinyls Italia spa	252	Manuf. of basic chemicals
	Japan	West Ones	203	Sporting and other recreational activities
	Italy	Tekfor spa	177	Manuf. of parts and accessories for motor vehicles and their engines
	Netherlands	VAN LUIN FOOD GROUP B.V.	157	Agriculture, hunting and forestry
	Netherlands	De Harense Smid B.V.	99	Trade
	France	Affinage de Lorraine	86	Manufacturing
	Austria	Anafta Produktion GmbH	70	Manuf. of other chemical products
	Sweden	Jms Mediasystem AB	54	Publishing, printing and reProd. of recorded media
	Ireland	Homebase House & Garden Limited	54	Wholesaling of household goods
	Belgium	Appe Benelux	43	Chemicals
	Austria	Doubrava Gesellschaft m.b.H	42	Manuf. of special purpose machinery
	Netherlands	GSH NETHERLANDS HOLDING B.V	36	Construction
	Austria	Käsemacher Gruppe	21	Manuf. of food products and beverages
JUNE	Korea (South)	STX Pan Ocean Co Ltd	3 870	Sea and coastal water transport
	Austria	Alpine Group	3 124	Building of complete constructions or parts thereof; civil engineering
	USA	Exide Technologies	2 252	Manuf. of other chemical products
	Japan	ITM Securities	1 089	Monetary intermediation
	Germany	MAGE Industrie Holding AG	318	Real estate, renting and business activities
	Germany	Aluminiumschmelzwerk Oetinger GmbH	269	Manufacturing
	Japan	Index	189	Software consultancy and supply
	France	Overlap	149	IT services
	Ireland	Xtravision	115	Retailing trade of new goods in specialized stores
	France	Vetsoca	114	Retailing
	France	Loundry Rousset sas	105	Household equipment
	France	Sendin	103	Construction
	Netherlands	Stichting Ruwaard van Puttenziekenhuis	64	Health and social work
	Portugal	Evicar	50	Wholesaling and retailing trade
	Portugal	Transportes Encarnaçao SA	49	Transport, storage and communications
	Belgium	Arpadis Chemicals	48	Chemicals
	Austria	Autohof Kufstein GmbH	40	retailing sale of automotive fuel
	Poland	Pol Drog Chluchow sp	38	Building installation
	Belgium	Mickey Weinstock en Co	37	Commodities
MAY	Brazil	Mabe Brasil Eletrodomésticos Ltda	498	Manuf. of domestic appliances
	Korea (South)	STX Construction Co. Ltd	391	Building of complete constructions or parts thereof; civil engineering
	Germany	IT-Distribution Abwicklungs AG	365	Real estate, renting and business activities
	France	Groupe Continental Nutrition	270	Pet food
	Italy	Leali spa	260	Manuf. of basic iron and steel
	France	Huis Clos	146	Manufacturing
	Portugal	Sweatbusiness LDA	134	Wholesaling and retailing trade
	Netherlands	Free Record Shop B.V.	131	Trade

* Chronological (non exhaustive, in descending order) of the biggest known insolvencies in terms of turnover and identified by Euler Hermes in 2013 for the following countries: USA, Canada, Brazil, Japan, South Korea, Germany, France, UK, Italy, Spain, Netherlands, Switzerland, Sweden, Belgium, Austria, Denmark, Finland, Portugal, Ireland, Russia, Poland, Czech Republic, Roumania, Hungary, Slovakia.

Date	Country	Company	Last known turnover *(in millions of euro)*	Activity
MAY	France	Groupe Fabri	88	Manufacturing
	Netherlands	Bouwbedrijf JM Deurwaarder B.V.	69	Construction
	Belgium	V&R Electrics Solar Company	59	Construction
	Poland	Carbologistic	56	Wholesaling
	Hungary	Déli Fészek	41	Social work activities
	Sweden	Transportledet AB	40	Other land transport
	Sweden	Heavycast Karlstad AB	30	Casting of metals
	Denmark	Dp Clean Tech Europe A/S	26	Manufacturing
	Slovakia	Fenestra Sk s r.o.	23	Industry
APRIL	USA	Central European Distribution Corporation	1 351	Manuf. of food products and beverages
	Spain	Pescanova SA	621	Fishing
	Germany	FlexStrom AG	550	Electricity, gas and water supply
	Italy	Sixty spa	214	Manuf. of wearing apparel
	Netherlands	FLORIMEX INTERNATIONAL B.V.	187	Agriculture, hunting and forestry
	Spain	Freiremar	183	Fishing
	Austria	Niedermeyer GmbH	105	Retailing trade of new goods in specialized stores
	France	Goss International France	97	Manufacturing
	Belgium	Alfacam	54	Services
	Sweden	Konga Bruk AB	34	Manuf. of parts and accessories for motor vehicles and their engines
MARCH	UK	Balli Group Plc	2 041	Manuf. of structural metal products, tanks, reservoirs and steam generators
	USA	Supermedia, Inc.	1 026	Publishing, printing and reProd. of recorded media
	USA	Dex One Corporation	985	Business activities
	Italy	Exergia spa	766	Prod., collection and distribution of electricity
	France	Kem One	700	Manufacturing
	USA	Geokinetics, Inc.	452	Mining and quarrying
	UK	Broomco (3958) Ltd	317	Business activities
	Italy	Aligrup spa	309	Non-specialized retailing trade in stores
	UK	Night Realisations Plc	307	Retailing trade of new goods in specialized stores
	Germany	B.COM Computer AG	305	Wholesaling and retailing trade
	Italy	Bentini spa	298	Building of complete constructions or parts thereof; civil engineering
	Germany	Autowelt König GmbH & Co. KG	256	Construction
	Italy	SGI srl	256	wholesaling of machinery, equipment and supplies
	Hungary	CAR-INside Ipari	234	Manuf. of textiles
	Romania	Ductil Steel sa	233	Manuf. of basic iron and steel
	France	Multitec	87	Building installation
	Portugal	Agro Pecuaria LDA	72	Agriculture, hunting and forestry
	Brazil	V Brasil Distribuidora Ltda	61	Wholesaling of agricultural raw materials, live animals, food, beverages and tobacco
	Poland	Piecexport Piecbud	60	Building of complete constructions or parts thereof; civil engineering
	Poland	Waspol sa	46	Wholesaling of agricultural raw materials, live animals, food, beverages and tobacco
	Czech Republic	Novinová a poštovní s.r.o.	46	Post and courier activities
	Romania	Laminorul sa	43	Manuf. of basic iron and steel
	Ireland	Monsoon	40	Retailing trade of new goods in specialized stores
	Poland	Tabor Szynowy Opole sp	39	Manuf. of railway and tramway locomotives and rolling stock
	Poland	Wilbo sa	35	Manuf. of food products and beverages
	Austria	Angerlehner Hoch und Tiefbau Ges.m.B.H	35	Building of complete constructions or parts thereof; civil engineering
	Czech Republic	Agrigal s.r.o.	29	Wholesaling of machinery, equipment and supplies
	Czech Republic	KTA s.r.o.	16	Building installation
	Czech Republic	Fantasy Management a.s.	16	Retailing trade of new goods in specialized stores
FEBRUARY	Japan	Kabutodekomu	3 893	Building of complete constructions or parts thereof; civil engineering
	Ireland	Irish Bank Resolution Corporation	2 304	Monetary intermediation
	USA	RDA Holding Co.	2 041	Publishing, printing and reProd. of recorded media
	France	GAD sas	455	Meat Processing
	USA	Ormet Corporation	443	Manuf. of basic precious and non-ferrous metals
	Romania	Oltchim sa	341	Manuf. of basic chemicals
	Romania	Mechel Targoviste sa	244	Manuf. of basic iron and steel
	UK	Republic Retail Ltd	212	Non-specialized retailing trade in stores
	Romania	Grup Romet sa	176	Manuf. of other fabricated metal products; metal working service activities
	Italy	Scapa Italia spa	165	wholesaling of household goods
	Romania	Ecoforest sa	112	Manuf. of basic iron and steel
	Belgium	Lintor	109	Food
	Romania	Aromet sa	104	Manuf. of basic iron and steel
	Portugal	Japocar	100	Wholesaling and retailing trade
	Netherlands	BVR Bouw en Ontwikkeling B.V.	99	Construction
	Hungary	MAL Magyar Alumínium Termelő	87	Manuf. of basic precious and non-ferrous metals
	France	Spanghero sas	79	Meat Processing
	Belgium	Verbinnen Henry	72	Food
	Spain	Construcciones Vera, SA	58	Building completion
	Romania	Dobrogea Grup sa	51	Manuf. of food products and beverages
	Brazil	Industrial Rex Ltda	44	Manuf. of other fabricated metal products; metal working service activities
	Sweden	Regenersis Nordic AB	34	Maintenance and repair of office, accounting and computing machinery
JANUARY	UK	HMV Group Plc	1 048	Retailing trade of new goods in specialized stores
	USA	School Specialty, Inc.	555	Retailing trade not in stores
	UK	2E2 UK Ltd	485	Computer related activities
	France	Virgin Store	305	Retailing
	UK	New Exchange Ltd	287	Business activities
	UK	The Jessop Group Ltd	283	Retailing trade of new goods in specialized stores
	UK	Blockbuster Entertainment	277	Retailing trade of new goods in specialized stores
	Spain	Siliken Manufacturing SL	240	Manuf. of other electrical equipment
	Spain	2L Ibérica Componentes Informáticos, SL	148	Manuf. of office, accounting and computing machinery
	France	Groupe Axsol Twintec	100	Construction
	Ireland	B & Q Ireland Limited	94	Wholesaling of household goods
	Spain	Hormigones y Construcciones Aragón SL	83	Site preparation
	Netherlands	Schoenenreus B.V.	82	Trade
	Poland	Vistalex sa	81	Construction
	Ireland	Tougher Oil Distributors Limited	76	Prod., collection and distribution of electricity
	Portugal	Edifícios Europa	57	Real estate, renting and business activities
	Poland	Pmb s a	53	Manuf. of food products and beverages
	Czech Republic	Plynostav a.s.	47	Building installation
	Portugal	Sociedade de Construções Jose Coutinho	41	Construction
	Austria	GriffnerHaus AG	40	Building of complete constructions or parts thereof; civil engineering
	Netherlands	DE VRIES KOZIJNEN B.V.	27	Construction
	Ireland	Mountview Foods	20	Agriculture, hunting and forestry
	Czech Republic	Dkcg a.s.	16	Renting of other machinery and equipment
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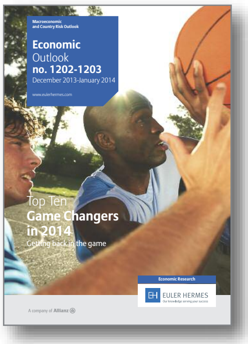

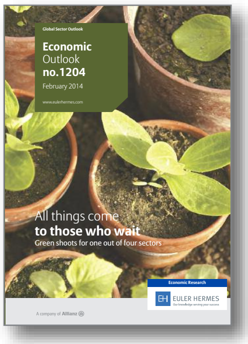

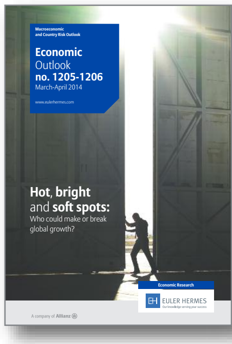

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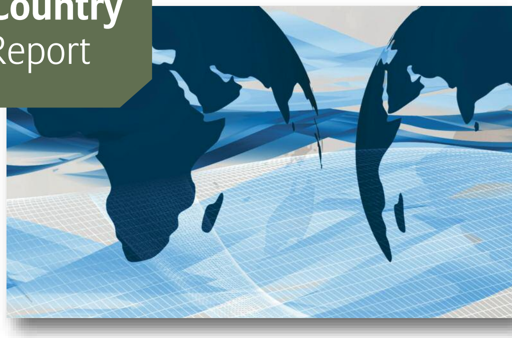

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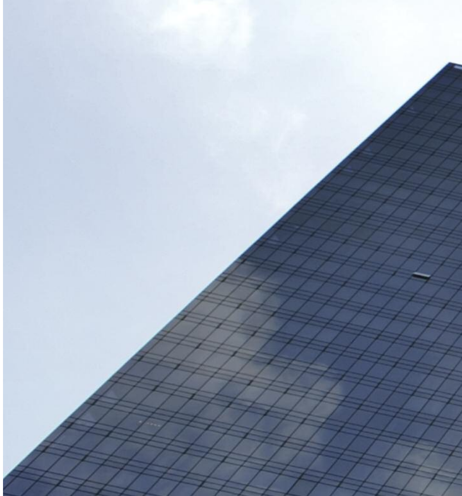

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